

Report to Cabinet

13 April 2022

Subject:	Disposal of Former Gas Showroom Site, Lombard Street West/High Street, West Bromwich
Cabinet Member:	Leader of the Council Councillor Kerrie Carmichael
Director:	Director Regeneration and Growth Tony McGovern
Key Decision:	Yes
Contact Officer:	Stefan Hemming Principal Lead Commercial Property stefan_hemming@sandwell.gov.uk

1 Recommendations

- 1.1 That approval be given to the disposal of the former Gas Showroom Site, Lombard Street West/High Street, West Bromwich to Black Country Housing Group, as set out in Appendix A, for £270,000 for the delivery of 27 affordable rent dwellings, recognising that this figure is less than the Best Consideration that could be obtained for the site.
- 1.2 That the Director of Regeneration and Growth be authorised to agree the terms for a conditional contract (subject to planning consent) for the disposal of the site to Black Country Housing Group.
- 1.3 That the Director of Law and Governance and Monitoring Officer be authorised to release a restrictive covenant placed on the site of the former Shaftesbury House, West Bromwich previously sold to Black Country Housing Group that restricts the permitted use for residential development.



1.4 That the Director of Law and Governance and Monitoring Officer be authorised to enter into or execute under seal, if necessary, any other related documentation in connection with the freehold disposal of the site referred to in 1.1 above.

2 Reasons for Recommendations

2.1 Black Country Housing Group have been approached by Sandwell College to acquire the site of the former Shaftesbury House, High Street, West Bromwich. The site was acquired from the Council in 30th June 2020.

2.2 To fulfil their Towns Fund application, Sandwell College require a site to deliver an engineering campus and have identified the former Shaftesbury House site as the primary location.

2.3 Black Country Housing Group have agreed in principle heads of terms with Sandwell College to dispose of the site and now require an alternative site to deliver their own residential project in accordance with Homes England funding.

2.4 Black Country Housing Group approached the Council to ascertain if the former Gas Showroom site, Lombard Street West/High Street, West Bromwich (edged red on the attached plan in Appendix A). could be acquired to deliver their project.

2.5 The Council have procured valuation advice from Savills. A valuation is contained in Appendix A which sets out that:

- The Market Value on the Special Assumption that planning has been granted following the proposals in the Development Prospectus, market led and with policy compliant affordable housing is £427,000.
- The Market Value of the site on the Special Assumption that planning is granted for the Black Country Housing Group proposal, which is for 27 dwellings all for Affordable Rent, is £270,000

2.6 Subject to satisfactory planning consent, Black Country Housing Group have agreed to pay the sum of £270,000 to acquire the site. This is less than the £427,000 that the Council could achieve for the site, however they intend to deliver 27 dwellings for affordable rent.



- 2.7 Circular 06/03: “Local Government Act 1972 general disposal consent (England) 2003 disposal of land for less than the best consideration that can reasonably be obtained” provides guidance on the circumstances in which assets can be sold for less than Best Consideration Reasonably Obtainable. Generally, it is expected that land should be sold for the best consideration reasonably obtainable, however it is recognised that there may be circumstances where an authority considers it appropriate to dispose of land at an undervalue. Where an asset is being sold at less than Best Consideration and where the “undervalue” is between £50k and £2m then the decision to sell at less than Best Consideration must be made by Cabinet. In considering such a disposal, there must be demonstrable evidence that the outcome will be equally beneficial as compared to a disposal at market value and will be for the well-being of the whole or part of the area.
- 2.8 The Black Country Housing Market Assessment states the total annual affordable housing need in the Black Country of 867 per year which represents 21.6% of the annual dwelling growth of 4,019 in the housing market area. The total need for affordable housing is 343 per year in Sandwell.
- 2.9 The recently approved Sandwell’s Regeneration Strategy, Pipeline and Economic Recovery Plan for Businesses highlights the growing demand for housing in Sandwell (since 2006 there has been a shortfall of nearly 5000 homes delivered in Sandwell), the growing need for larger homes, and the land and viability constraints that, whilst not unique to Sandwell, require significant public-sector investment to bring forward.
- 2.10 Specifically, private rent affordability is an issue in Sandwell. A recent study estimates that a third of Sandwell households are excluded by affordability from entry level Private Rented Sector and entry level home ownership. This rises to 50% for those requiring four or more bedrooms (Black Country SHMA, 2021). There are 9,800 households on the social housing register as of August 2021. 35% of these are transfer requests within the HRA stock leaving 65% (6,380) who are waiting for a Council home. Sandwell needs to double the delivery of Affordable Homes per annum from 120 to a minimum of 240.



2.11 The disposal of the site to Black Country Housing Group will enable the delivery of 27 much needed affordable rent units. It will also unlock several regeneration opportunities in the town centre and accelerate development in conjunction with the West Bromwich Town Centre Master Plan. As well as facilitating the new engineering campus on the Shaftsbury House site it will also enable Black Country Housing Group to deliver 27 affordable housing units on the former gas showroom site.

3 How does this deliver objectives of the Corporate Plan?

	<p>Best start in life for children and young people</p> <p>These new build properties will provide accommodation which better meets the needs of young families allowing/ enabling for a better home educational environment.</p>
	<p>Strong resilient communities</p> <p>The development of this scheme will support investing in businesses, people and jobs that will create wealth and tackle poverty.</p>
	<p>Quality homes in thriving neighbourhoods</p> <p>The redevelopment of this site with modern residential accommodation will improve the asset base of the borough by providing much needed affordable housing.</p> <p>The provision of this proposed scheme will provide homes that meet people's needs. Sandwell's population is growing and people need quality housing that fits their individual requirements.</p> <p>The development of this site will be guided by the Local Planning Authority in accordance with approved planning and development guidance. This will seek to achieve a development of a quality that sets the highest architectural standards and which provides energy efficient buildings, in furtherance of the aims of the Environmental Policy for Sandwell.</p>



	<p>A strong and inclusive economy</p> <p>The proposal will create residential and educational opportunities within the town centre and will energise and provide resilience to the micro economic climate in West Bromwich.</p>
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4 Context and Key Issues

- 4.1 At its meeting on 20th March 2019, Cabinet approved a decision for the Council to acquire the freehold interest in Blackheath Library from Black Country Housing Group. Cabinet also approved the transfer of four Council owned sites (Payne Street, Rowley Regis, Meredith Street/Upper High Street, Cradley Heath, 106a Birmingham Road, Rowley Regis and the former Shaftesbury House site, West Bromwich) to Black Country Housing Group, in exchange, with an additional cash premium of £300,000 paid to the Council to provide equality of exchange.
- 4.2 As part of the transfer, the permitted use of the sites was restricted in the title to delivery of residential accommodation. Sandwell College has enquired with Black Country Housing Group whether this restriction can be lifted to enable it to deliver the college campus on site. The Towns Fund investment for the Sandwell Civil & Mechanical Engineering Centre is £2.7million.
- 4.3 As the Council as vendor included the restriction as part of the disposal, Black Country Housing Group requires permission from the Council to lift the restriction and the report is seeking authority to remove the restriction from the title to facilitate the delivery of the engineering campus.
- 4.4 The value attributable to the former Shaftesbury House site was based upon residential use and therefore at maximum market value. By releasing the covenant to allow for an educational use, this does not present any financial issues for the Council as it has already achieved



the maximum market price and best value in accordance with Section 123 of the Local Government Act 1972.

- 4.5 The Council is now looking to formalise terms with Black Country Housing Group for the freehold disposal of the site.
- 4.6 Black Country Housing Group is looking to deliver 27, 1 and 2 bedroom flats for Affordable Rent as part of the development.
- 4.7 On 17th May 2017, a report was presented to Cabinet recommending a number of properties for demolition which included the Former Gas Showroom site. As part of the resolution, it was proposed to dispose of the cleared sites on the open market and otherwise on terms and conditions to be agreed by the then Director – Regeneration and Planning.
- 4.8 Local authorities are given powers under the Local Government Act 1972 to dispose of land in any manner they wish, including sale of their freehold interest, granting a lease or assigning any unexpired term on a lease, and the granting of easements. The only constraint is that a disposal must be for the best consideration reasonably obtainable unless the Secretary of State consents to the disposal.



- 4.9 The Town Hall Quarter investment from Towns Fund is worth £6.9m and therefore the site is an intrinsic part of the West Bromwich Town Centre Masterplan and will unlock an important regeneration opportunity by delivering affordable housing and help it to secure the promotion or improvement of the economic, social or environmental well-being of the area.
- 4.10 The development will need to be in context with planning requirements as it is located within the conservation area and is in close proximity to the Town Hall and Library which form part of the Civic Quarter as set out in the West Bromwich Masterplan.
- 4.11 Exchange of contracts will therefore be conditional upon planning permission for the Permitted Use. Following exchange of contracts Black Country Housing Group will submit an application for planning and will progress the planning application and pay for all fees and costs in relation to obtaining Full Planning Permission.
- 4.12 A claw back provision will be included in the sale contract such that, in the event that Planning Permission is obtained for development of the site for anything other than for the delivery of 27 dwellings for affordable rent, the Council will be entitled to the difference in value.

5 Alternative Options

- 5.1 The Council could consider disposal of the freehold on the open market but this may not generate a much greater level of capital receipt. It would also miss an opportunity to unlock two important regeneration opportunities to deliver education facilities and affordable accommodation in West Bromwich Town Centre.

6 Implications

Resources:	If the transaction proceeds, the Council will receive a capital receipt from site disposal in the sum of £270,000
Legal and Governance:	This report highlights the opportunity for the Council to realise a capital receipt. The Council is able to dispose of land pursuant to Section 123 of the Local



	Government Act, 1972 provided that the disposal is not for less than the best consideration that can reasonably be obtained. The receipt from the sale will be available to fund future capital expenditure in line with corporate priorities.
Risk:	If the matter does not proceed then there is a likelihood that Sandwell College may lose their Towns Fund of £2.7 million to deliver a new campus in West Bromwich and Black Country Housing Group may also lose their Homes England funding to deliver affordable residential accommodation.
Equality:	An Equality Impact Assessment screening exercise has been carried out and a full Equality Impact Assessment is not required.
Health and Wellbeing:	<p>Currently the site is vacant and under-utilised. The redevelopment of the site with modern residential accommodation will improve the asset base of the borough by providing much needed affordable, high quality, energy efficient housing.</p> <p>This will result in creating sustainable communities, create wealth, tackle poverty, improve health and wellbeing and reduce certain types of anti-social behaviour and crime.</p>
Social Value	The development of this scheme will support investing in businesses, people and jobs

7. Appendices

Plan

8. Background Papers

None

